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Regulation of the Perishable Food Industries After the War

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SOON after the armistice was signed the license regulations of the Food Administration were gradually abrogated, except as they related to domestic food stuffs in short supply, or to foods that were exported in large volume. The license regulations were designed to eliminate injurious speculation, hoarding, extortionate profits, unfair and wasteful trade practices, and to direct the course of food stuffs in straight lines from producer to consumer through the essential trades without unnecessary cross trading.

The Food Administration created a sentiment among the parties interested that supplemented the powers of the Lever Act. It held conferences with representatives of the trades, appointed advisory committees of the producers and the trades, and appointed trade leaders in the Food Administration to interpret the problems of their industries to the government. By this method a patriotic sentiment for national service was developed on the part of the public at large and particularly among those who were subject to the Food Control Act. It was the policy of the Food Administration, on the signing of the armistice, to relieve the public of war-time restrictions, return the trades to a peace basis at the earliest moment, and, at the same time, protect the public against abnormal rises in prices. The Food Control Act ceases to be effective when the existing state of war between the United States and Germany shall have terminated.

When it was announced that the special license regulations governing the distributors of perishable foods would be abrogated, general regret was voiced by dealers in fruits and vegetables, poultry, dairy products and fish, that the reforms which were introduced into the trades as a war measure should be lost. Notwithstanding the reaction against further governmental interference in business, protests were heard in all parts of the country against a return to peace-time distributing methods, and a sincere inquiry was begun into permanent legislation that might be

enacted for the protection of the producer, the distributor and the public at large against the unfair, wasteful and discriminatory practices that were not uncommon in pre-war times in the transactions of the producer, and of the distributing trades.

Responsive to this sentiment, the California Fruit Growers Exchange, the American Warehousemen Association, and the National League of Commission Merchants have already gone on record in favor of legislation which will make permanent the beneficial ends attained, as a war measure, by the Food Administration. After an experience of eighteen months in handling the Perishable Food Division under Mr. Hoover's direction, and as a representative of one of the largest shippers of perishable foods in the world, the writer is in sympathetic accord with the aims referred to.

FOOD WASTAGE IN PEACE AND WAR TIMES

Before the war there was not always confidence in the fairness of perishable food transactions; the producer distrusted the commission merchant, the dealer complained of the packing and grading by the producer, either party or both may have complained that the implied contracts of sale were not always carried out, and, while disputes between the parties at interest were unadjusted, car loads of fruits and vegetables may have stood on the tracks and been lost through deterioration or at least seriously impaired in quality. There were enough of these disputes in the press to create a prejudice against the perishable food industries and to affect adversely the standing of the honest men in the trade, the average member of which has a standard of integrity in his dealings that will equal that of the men in any other business.

Many of the difficulties in the distribution of perishable foods are inherent in their perishability; that is, the condition of the foods is frequently in dispute on arrival in the markets, and the condition may have been affected by climate or other factors over which no one has control. Others are due to disputes between sellers and buyers over the grade of the food; others to the rejection of cars by the consignees on the score of condition or because the market is lower; others because of carelessness in defining contracts between parties at interest, while some of the trouble is due to unfair and dishonest practices by unscrupulous shippers or

receivers. It was towards the correction of these evils in the perishable food industries that the Food Administration directed its efforts during the war, the license regulations having been drawn after extended conferences with leaders of the different trades, who gave their best efforts in suggesting regulations that would eliminate the abuses, reduce the waste in food stuffs and give greater confidence in perishable food transactions.

The perishable food business is one of quick action. These foods must be sold at just the right time to avoid disaster from poor condition. A delay in the settlement of a dispute between shipper and receiver, the rejection of cars by the purchaser, the holding on track in warm weather before unloading, the lack of ice for refrigeration, the congestion of terminal facilities—all of these factors cause losses in perishable foods, and when added together take an enormous annual toll from our food supplies.

During the war, many of these losses were entirely avoided, or at least were greatly reduced, because the license regulations of the Food Administration forced the quick unloading of perishable foods after arrival in market, the prompt acceptance of cars, or their quick rejection, and the settlement of disputes by arbitration after the cars were accepted. As a result of these regulations, perishable food distribution was freer from abuses than in any pre-war period; the losses were never so small; the disputes between the parties interested were quickly handled; and there was more confidence in the integrity of trade practices than in any former time.

With the abrogation of the license regulations and the ultimate disappearance of the Food Control Act, there will be no practical way of correcting the pre-war trade abuses or dishonest practices or to avoid the waste in food stuffs. Competition again will force dealers to follow practices that are questionable, the public will lose the confidence which it had gained in the integrity of the trades, and the benefits gained through governmental coöperation and supervision will be lost. The resort to the courts for damages against a dishonest dealer is too slow and expensive to be effective. A quicker method of handling disputes and of passing the produce through the avenues of trade is necessary.

I have not definitely formulated my own judgment as to the method of federal supervision or to the extent to which such over-

sight should go. Whether to enact legislation that is mandatory on all distributors and put them under license regulations, or whether to enact a law that gives the distributor the choice of taking out a voluntary license, is a very practical and fundamental question. Theoretically, the public interest would be best served if all shippers and distributors were under a uniform license system and had to conduct their transactions in a similar manner, and I would favor such a plan if the legislation could be enacted. The difficulty in such a plan is, first, to be able to pass such legislation through Congress; and second, the equally practical difficulty of building a government force, with experience and judgment enough to handle the multitude of disputes and problems that need to be decided by sound practical sense. In handling perishable food difficulties, the judgment of the men who come in contact with the trade problems is the factor on which the success or failure of the plan is likely to be decided. No matter how comprehensive or sound the law, its practical working will depend on the fairness and soundness of the acts of the government representatives.

There is a strong reaction in the public mind against further interference in the affairs of business, except as it is necessary to protect the public against flagrant abuses. The trades are antagonistic to the making of detailed reports, to the readjustment of methods of accounting, and to the fear of trouble because of the difficulty of conforming to the requirements of government regulation. There are thousands of members of the trades who have not installed comprehensive methods of accounting, and yet who are successful merchants. To these men governmental regulation, with the accompanying reporting system that has been a part of all regulatory efforts to date, is a veritable nightmare. The average member of the trade is more fearful of the report system than of the effect of regulation. The dishonest man in business is afraid of both.

On the other hand, I am convinced that the government, in coöperation with the parties interested, can work out simple regulations and simple reports that would not be burdensome to the trades, that would in the end prove beneficial and which would protect the trade and the public interest alike. It would make the average man play the game squarely, it would relieve him of

the effect of unfair competition, and it would save millions of dollars worth of food that is now wasted annually.

GOVERNMENTAL SUPERVISION AND VOLUNTARY REGISTRATION

A more practical method of governmental supervision is a voluntary registration of the members of the trade on the declaration by the registrant that he will conform to the regulations of the government after enrollment. Under this plan, the Secretary of Agriculture should be given the power:

1. To facilitate the distribution and marketing of perishable food products and to aid in reducing loss, delay, waste and controversy in their movement and sale; to establish uniform standards for perishable foods shipped in closed packages in interstate and foreign commerce, the use of the standards to depend on the choice of the shipper rather than to be obligatory; the Secretary of Agriculture issuing the standards and the rules and regulations making them effective after consultation with the interested public.

2. To inform the public of practices that are wasteful and unfair, after advising the public, as a result of investigation and of conference, of methods that are economical and fair.

3. To make the adoption of the rules and regulations to prevent wasteful, unfair and discriminatory practices, elective with the parties interested rather than mandatory and to license or register all persons who voluntarily elect to adopt the standards and regulations in their interstate and foreign business. This establishes an honor roll among the members of the trades and this roll is known to all who transact business with shippers or receivers. This voluntary method would also be applicable to intrastate as well as interstate business.

4. To cancel or suspend the registration of any person who violates the conditions of his voluntary enrollment and to publish the cancellation with the reasons for the same. This cancellation would not deprive the person of the right to transact business except under the government standards and rules. It takes him off the honor roll and the public is informed of the reasons.

5. To inspect perishable foods when requested by an enrolled member, and to certify to an allowance from a fixed price on account of deterioration or grade under which a sale has been made; and when both principals to a transaction request an arbitration,

the findings, if not accepted by the parties, shall be *prima facie* evidence in any court as to the allowance made.

I would also have the Secretary of Agriculture appoint permanent committees from the parties interested who could be called by him for advice and suggestion; or who could on their own request appear before the secretary and advise or suggest matters affecting the different industries. And committees should be appointed in each market who would act as advisors to the government representatives in handling trade matters. The war has shown that it is possible to bring about a sympathetic and practical coöperation between the government and the public at large. This relationship should be maintained in peace times. It is equally helpful to those who administer governmental affairs to the parties interested. Coöperation rather than antagonism is needed in governmental and public relationships.

I am convinced that legislation embodying the principles outlined would give to the public the coöperation of the government and the industries in raising the standards of perishable food handling; that it would establish a better standard of public confidence in the transactions of these industries; that it would insure the honest and decent man in business the friendly attitude of the public and protect him against the unscrupulous and dishonest man whose transactions often color public sentiment. Could the parties interested agree that legislation, at least as broad in scope as I have outlined, were in the public interest, I am sure that it would go far in perpetuating the beneficial ends attained by the United States Food Administration as a war emergency. Later on, if more comprehensive legislation is needed it can be built upon the experience of a voluntary system of supervision. The great majority of the trades, I am convinced, would welcome a voluntary system of regulation and would give it their earnest support. The unscrupulous merchant would be advertised to the public, because his name would not appear on the honor roll of the government.